GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:2459
ANSWERED ON:31.07.2017
Foreign Companies in Manufacturing Sector
Misra Shri Ajay (Teni)

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether some foreign companies are making efforts to set up i-phone and other manufacturing units in India and if so, the details thereof, company-wise;

(b) whether the said foreign companies are demanding to end the condition of 30 per cent local sourcing of component and rebate in customs duty on import of equipment and if so, the details thereof; and

(c) whether the Government is considering to give this rebate to the said companies and if so, the details thereof and if not, the reasons therefor?

Answer

???????? ??? ?????? ???????????? (????????? ??????)(??????? ??????? ???????)
THE MINISTER OF STATE (INDEPENDENT CHARGE)
OF THE MINISTRY OF COMMERCE & INDUSTRY
(SHRIMATI NIRMALA SITHARAMAN)

(a): As per extant FDI policy, foreign investment up to 100 percent is permitted for a company engaged in the business of manufacturing mobile phones. Under the automatic route, investment in the country can be made without prior approval either of the Government or the Reserve Bank of India. Moreover, FDI is largely a matter of private business decisions, and therefore, no such details regarding efforts made by foreign companies to set up i-phone and other manufacturing units in India can be maintained.

(b) & (c): Government has received representations seeking concessions including 30 per cent local sourcing of component, duty exemption on manufacturing and repair units, components, capital equipment and consumables for smart phone manufacturing and service/ repair.

As regards local sourcing requirement Government through Press Note 5 of 2016 dated 24.6.2016 provided that in case of 'state-of-art' and 'cutting-edge technology' sourcing norms can be relaxed subject to Government approval. However, with a view to promote domestic manufacturing capacities and value addition, it has further been provided that this relaxation will be valid for an initial period of three years from the opening of first store, and thereafter, such entities will be required to meet the domestic sourcing norms.

Further, the requests regarding rebate in customs duty on import of equipment were examined and the same were not accepted on the following grounds:

i. Nil basic customs duty [BCD], Nil excise Duty /Countervailing Duties [CVD] [except charger, battery, and speaker] and Nil Special Additional Duty [SAD] has already been prescribed for components and accessories and sub-parts for manufacture of parts, for the final manufacture of mobile phones /tablet computers.

ii. Further, Specified capital goods namely;

a. SMT lines;
b. Core test line;
c. Electrovet oven;
d. Acoustic test lines BTO-SW;
e. Hot bar machine;
f. Heat seal machine;
g. Pick and place machine; and
h. Older paste printer for manufacture of mobile handsets which have already been exempted from BCD with effect from 09.07.2004 [S. No 58 of Notification No 25/2002-Customs].

iii. There is no exemption from BCD, CVD and SAD on imports of parts for repair of mobile.
iv. Further, in GST regime, all imports will be liable to IGST and any exemptions from CGST/SGST/IGST can be granted only based on the recommendations of the GST Council only. Thus, all existing exemption from excise/ CV duty will also be reviewed by GST Council.

Moreover, with effect from 01.07.2017, 10% BCD has been imposed on cellular mobile phones [under tariff item 8517 12 10 and 8517 12 90] and their specified parts namely charger/adapter, battery pack, wired headset, microphone and receiver etc [except side

key on which 7.5% BCD was imposed]. Further, exemption from BCD has been provided for inputs and raw materials for manufacture of all parts of cellular mobile phones.

In addition, with effect from 01.07.2017 both domestically manufactured cellular mobile phones and imported cellular mobile phones and parts for manufacture of phones attract 12% GST.

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